

Message Text

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ORIGIN STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CIAE-00
COME-00 EB-08 INR-10 LAB-04 NSAE-00 SP-02 TRSE-00
FRB-03 OMB-01 L-03 NSC-05 SS-15 CEA-01 DODE-00
H-01 INT-05 PA-01 CTME-00 AID-05 ITC-01 USIA-06
SOE-02 DOE-11 /115 R

DRAFTED BY STR:MBSMITH:ATN
APPROVED BY STR:MBSMITH
EA/PHL - JSARTORIUS
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-----111061 220001Z /70

P R 212326Z FEB 78
FM SECSTATE WASHDC
TO AMEMBASSY MANILA PRIORITY
INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 044829

GENEVA FOR PHELAN FROM SMITH

E.O. 11652:GDS

TAGS:ETRD

SUBJECT: TEXTILES: USG/GOP BILATERAL NEGOTIATIONS

1. IN ANTICIPATION OF PROBABLE RENEGOTIATION OF US/GOP
BILATERAL, WOULD APPRECIATE EMBASSY'S ASSESSMENT OF THE
FOLLOWING:

A) IF THE USG WERE TO AGREE TO SOME SORT OF MERGING
BETWEEN TRADITIONAL AND NON-TRADITIONAL (ALTHOUGH THIS IS
BY NO MEANS ASSURED), WHAT WOULD BE THE POLITICAL AND/OR
ECONOMIC CONSEQUENCES, ESPECIALLY WITH PICIOTTO AND SANTIAGO?
HOW STRONGLY WOULD THEY RESIST SUCH MERGERS, EVEN THOUGH
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NON-TRADITIONAL SECTOR WOULD CLEARLY WANT THE MERGERS?
COULD PICIOTTO AND SANTIAGO BLOCK SUCH A MOVE?

B) IF T AND NT WERE MERGED IN SOME FORM, IT WOULD BE TO
THE DECIDED ADVANTAGE OF THE NT PEOPLE. WOULD THEY BE
WILLING TO PAY FOR IT IN SOME WAY, SUCH AS LOWER GROWTH
RATES (A LA FIVE PERCENT WE NEGOTIATED WITH SINGAPORE)?

C) IN VIEW OF HIGHER DOLLAR PER YARD VALUE IN NT, WE
ASSUME MERGERS COULD BE ON A LESS THAN ONE-FOR-ONE BASIS.
WOULD GOP ACCEPT THIS?

D) FROM BAGUIO CONSULTATIONS, IT WAS CLEAR GOP
(ESPECIALLY IN NT) HAD GREATER EXPECTATIONS OF SIGNIFICANT
QUOTA INCREASES. HOW REALISTIC ARE THEIR EXPECTATIONS IN
LIGHT OF EXISTING OR PLANNED CAPACITY? HOW MUCH OF THIS
CAPACITY IS PHILIPPINE OWNED?

E) IS THERE ANY WAY GOP CAN CLOSE THE DOOR TO HONG KONG
TEXTILE INVESTMENT IN PHILIPPINES WHICH WOULD EXPORT
-- TO THE US?

F) WAGE AND PRODUCTION COSTS PROJECTIONS OVER THE NEXT
FOUR YEARS

G) FUTURE GOP PLANS FOR YARN AND FABRIC PRODUCTION. PIO
DE RODA SAID SUCH PRODUCTION WAS NOT PLANNED, BUT JUST
ADDING "VALUE ADDED" TO FABRIC IN THE FORM OF GARMENTS
WOULD NOT PORTEND A VERTICALLY INTEGRATED INDUSTRY. ANY
SIGNIFICANT PROJECTED WAGE INCREASES WOULD MILITATE MOVING
INTO MORE CAPITAL INTENSIVE PRODUCTION AND, IN TEXTILES,
THAT MEANS FIBER AND YARNS.

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2. EMBASSY SHOULD NOT RPT NOT DISCUSS WITH GOP ANY
POSSIBILITY OF T AND NT MERGING.

3. REPLY BY MARCH 27 REQUESTED. VANCE

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NNN

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